

MONTANA LEGISLATIVE HISTORY

BEST COPY
AVAILABLE

Chapter 262 19 91

Bill H _____ S 86 Original bill & history C

H. Committee on Taxation

Hearing Date(s) Feb 02 ☒ C

No minutes of
final action could
be found. _____ C

Date Out _____ C

S. Committee on Taxation

Hearing Date(s) Jan 18 ☒ C

Jan 22 ☒ C

Jan 23 ☒ C

_____ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

SENATE FINAL STATUS

SB 88

3/20 SIGNED BY GOVERNOR
CHAPTER NUMBER 123

EFFECTIVE DATE: 3/20/91

SB 86 INTRODUCED BY ECK
CLARIFY OIL/NATURAL GAS TAX BY DELETING OBSOLETE
REFERENCES TO INTERIM PRODUCTION
BY REQUEST OF DEPARTMENT OF REVENUE

1/15	INTRODUCED		
1/15	FIRST READING		
1/15	REFERRED TO TAXATION		
1/18	HEARING		
1/23	COMMITTEE REPORT—BILL PASSED AS AMENDED		
1/24	2ND READING PASSED AS AMENDED	50	0
1/25	3RD READING PASSED	49	0
	TRANSMITTED TO HOUSE		
1/26	FIRST READING		
1/26	REFERRED TO TAXATION		
2/07	HEARING		
3/05	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
3/11	2ND READING CONCURRED	96	2
3/12	3RD READING CONCURRED	98	0
	RETURNED TO SENATE WITH AMENDMENTS		
3/16	2ND READING AMENDMENTS CONCURRED	49	0
3/18	3RD READING AMENDMENTS CONCURRED	49	0
3/22	SIGNED BY PRESIDENT		
3/23	SIGNED BY SPEAKER		
3/25	TRANSMITTED TO GOVERNOR		
3/29	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 267		

EFFECTIVE DATE: 3/29/91

SB 87 INTRODUCED BY B. BROWN
CLARIFY JURISDICTION OF SMALL CLAIMS DIVISION OF
DISTRICT COURTS
BY REQUEST OF BOARD OF REALTY REGULATION

1/15	INTRODUCED		
1/15	FIRST READING		
1/15	REFERRED TO JUDICIARY		
1/23	HEARING		
1/25	COMMITTEE REPORT—BILL PASSED AS AMENDED		
1/26	2ND READING PASSED	46	0
1/28	3RD READING PASSED	47	0
	TRANSMITTED TO HOUSE		
1/29	FIRST READING		
1/29	REFERRED TO JUDICIARY		
3/20	HEARING		
3/20	COMMITTEE REPORT—BILL CONCURRED		
3/23	2ND READING CONCURRED	91	0
3/25	3RD READING CONCURRED	95	0
	RETURNED TO SENATE		
3/28	SIGNED BY PRESIDENT		
4/02	SIGNED BY SPEAKER		
4/02	TRANSMITTED TO GOVERNOR		
4/04	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 326		

EFFECTIVE DATE: 10/01/91

SB 88 INTRODUCED BY B. BROWN
CHANGE MEMBERSHIP AND TERM FOR CERTIFICATION
ADVISORY COUNCIL
BY REQUEST OF BOARD OF PUBLIC EDUCATION

1/15 INTRODUCED

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on January 18, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Robert Brown (R)
Steve Doherty (D)
Delwyn Gage (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused:

John Harp (R)

Staff Present: Jeff Martin (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON SENATE BILL 86

Presentation and Opening Statement by Sponsor:

Senator Eck, District 40, sponsor, said the bill was introduced at the request of the Department of Revenue. "Interim production" is stricken throughout the bill because the interim has passed.

Proponents' Testimony:

Denis Adams, Director, Department of Revenue, indicated this is a housekeeping bill. Interim was defined as production from a well that began interim production after June 30, 1985, and before April 1, 1987. The only reason to make a distinction

between interim and new production, now taxed at the same rate, was to clarify that interim production does not receive a twelve month tax holiday. Since no additional interim wells can be drilled there is no further need for the language in the statute.

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

Senator Gage referred to page 8, lines 10 and 22, "wells completed after December 31, 1986". He said leaving the December 31, 1986, date in the statute cuts off six months of producing wells that may be eliminated from classification. He suggested the date be changed to June 30, 1985.

Mr. Adams said because those years have already expired and the taxes have been paid, DOR does not think there is any problem with that language.

Closing by Sponsor:

Senator Eck closed.

EXECUTIVE ACTION ON SENATE BILL 86

Motion:

Senator Eck moved SB 86 DO PASS.

Discussion:

Senator Gage expressed further concern about the date discrepancy. He felt there needs to be a definite clarification of the dates of interim and new production.

Senator Towe agreed with Senator Gage and asked Jeff Martin to investigate the matter further and report back to the Committee.

Senator Eck withdrew her motion.

Senator Towe explained the amendments would keep the base from expanding to 25% from 15% and require that all the money in the trust be invested in Montana.

Senator Towe said the record should reflect that he has an integral interest in the First National Bank of Wibaux.

Senator Harp said he has reviewed a list of investments made by the Board of Investments and they are for the most part very sound investments. However, he said there are some loans made that he would consider questionable. He felt strongly that he was not willing to risk the State's money in unsafe loans just to reach the maximum in-state investment allowed.

Senator Towe responded he would not want the money invested in shaky loans just to ensure that all the money is invested in Montana. He said the money can be invested in Montana by investing in secondary markets and Montana banks.

Senator Van Valkenburg said by limiting the investment base the general fund stands to lose \$240,000 in interest income. He said the Committee should take a firm stance against eroding the income base of the general fund.

Senator Harp warned against making poor investments and creating a mini-S & L problem with the trust funds.

Senator Towe's motion to accept the amendments FAILED on a roll call vote (Exhibit #9)

Senator Towe moved to amend the bill on page 12, lines 7 and 22 to require the Board of Investments to report to every session of the legislature on the investments they have made during the biennium.

The motion CARRIED unanimously with Senator Brown absent.

Recommendation and Vote:

Senator Van Valkenburg moved Senate Bill 26 Do Pass As Amended. The motion CARRIED with Senators Towe and Yellowtail voting no.

EXECUTIVE ACTION ON SENATE BILL 86

Motion:

Senator Gage moved to adopt the amendments as presented in Exhibit #10. Senator Gage said the amendments correct the situation in which the dates in the bill would cut off six months of drilling operations that may have qualified for new

production.

Senator Van Valkenburg asked if there is any effect on revenue gained or lost.

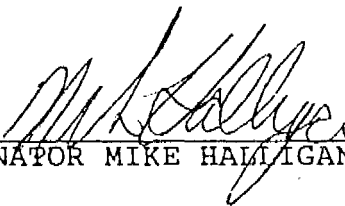
Senator Gage said it could have an effect. If the wells that were drilled between June 30, 1985 and December 31, 1986, were excluded from this allocation those wells could be taxed at the stripper rate (5%) or they could be taxed at an 8.4% rate. There is a possibility for either decreasing or increasing the revenue. The revenue would depend on the situation with each individual lease.

Senator Van Valkenburg said he would like some clarification on the fiscal impact from the Department of Revenue.

Senator Gage withdrew his amendments pending the DOR comments.

ADJOURNMENT

Adjournment At: 10:00 a.m.


SENATOR MIKE HALLIGAN, Chairman


JILL D. ROHYANS, Secretary

MH/jdr

EXECUTIVE ACTION ON SENATE BILL 86Amendments, Discussion, and Votes:

Senator Gage asked Jeff to draw amendments striking the dates and inserting language that would say "if there is old production and new production on a lease, this is the method you will use to apportion that production between old and new". Senator Gage moved the amendments.

Senator Towe said he was uncomfortable with this method of amending bills, however, if Jeff Martin would draw the amendments and have both Senator Gage and Senator Towe review them before they are submitted, he would agree to the motion.

The motion CARRIED with Senator Harp absent.
(See attached standing committee report (Exhibit #10) for amendments in approved final form.)

Recommendation and Vote:

Senator Eck moved SB 86 Do Pass As Amended. The motion CARRIED unanimously.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR MIKE HALLIGAN, Chairman

JILL D. ROHYANS, Secretary

MH/jdr

SENATE STANDING COMMITTEE REPORT

Page 1 of 1

January 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 86 (first reading copy -- white), respectfully report that Senate Bill No. 86 be amended and as so amended do pass:

1. Title, line 7.

Following: "PRODUCTION;"

Insert: "CLARIFYING THE ALLOCATION OF NEW PRODUCTION;"

2. Page 8, lines 9 and 10.

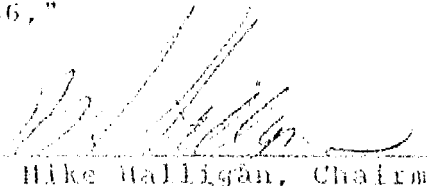
Strike: "a producing" on line 9 through "1986" on line 10

Insert: "has new production"

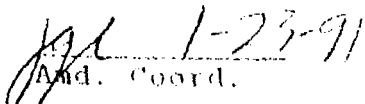
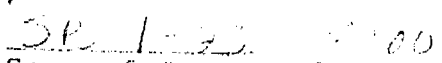
3. Page 8, line 22.

Strike: "completed after December 31, 1986,"

Insert: "producing new production"

Signed: 

Mike Halligan, Chairman


And. Coord.
Sec. of Senate

REP. HARRINGTON asked Judy Rippengale, DOR, how the Department would feel about this issue. Ms. Rippengale said she thought that the DOR was better able to administer the corporate license tax or taxes based on net income. There are considerable questions to define net income. Presently, DOR is close to the federal government on that income. They have a standardized approach to all companies. The state operations would be less effective and economical by trying to put this out. The DOR is satisfied with the operations as they stand and does not support HB 460.

REP. NELSON asked Mr. Borchardt if most of the life insurance sold in Montana is mutual life insurance versus stock. Mr. Borchardt said both are sold. REP. NELSON said mutual life insurance companies have no stock holders and are owned by their policy holders; and asked if they were to tax life insurance companies, would it have an adverse effect on the amount of dividends given. Mr. Borchardt said yes particularly on business that was written previously and have a renewal premium.

Closing by Sponsor:

REP. WHALEN said the American Insurance Association said that they would pass this on to the consumer. In reality, the easiest tax to pass to the consumer is a sales tax because it stays fixed based upon your revenue. HB 460 bases the payment of tax upon income; and if there is no income, there will no additional tax due. Even if the bill doesn't raise a penny of revenue, just having access to information that we currently don't have is going to be a plus. Once the insurance companies start reporting what their income is in the state, we will find out how just interested in the consumer the insurance companies are. The fairest tax is one that is based upon the ability to pay which is your net income.

HEARING ON SB 86

Presentation and Opening Statement by Sponsor:

SEN. ECK, Senate District 40, Bozeman, stated SB 86 is a request by the DOR. There are a number of references all through the bill to strike "interim production" because the interim we are referring to has elapsed. We had to do something with new production also. This language can be found on Page 2, Line 7, and ends on Page 6, Lines 8 and 9.

There was an additional amendment made on the floor of the Senate. On Page 2, Line 7 after 1985 insert "or".

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members:

REP. McCAFFREE said that he was under the assumption that there is no longer a net proceeds tax on oil. SEN. ECK said there is. In the 1985, we passed legislation which taxed which taxed the net gross proceeds for new oil, new production, and interim production. This is still taxed by a flat tax. This provided a uniform of taxation. REP. McCAFFREE asked if this was pre-1985 oil. SEN. ECK referred the question to David Woodgerd, DOR. Mr. Woodgerd said yes. REP. McCAFFREE said a clarification is needed.

REP. O'KEEFE said that on Page 2, Lines 11 and 12, she is taking out the need for notification as required in 15-36-121 and asked why this was being done. SEN. ECK said this was done in the original bill and referred the question to David Woodgerd. Mr. Woodgerd said he did not know. The question was answered by Lee Heiman, Legislative Council. He said the Subsection that was required is no longer there. This was taken out during the special session. REP. O'KEEFE asked why was Page 9, Lines 8 through 12 written the way it was and asked Mr. Woodgerd if it was needed or is there an easier way to say this. Mr. Woodgerd said it could be written more simply.

Closing by Sponsor:

SEN. ECK said most of the amendments in the bill were proposed by SEN. GAGE who knows the industry well. She has had them checked by her own people and they reassured her that they were alright.

EXECUTIVE ACTION ON HB 408

Motion: REP. ELLIOTT MOVED HB 408 DO PASS.

Discussion:

REP. HOFFMAN stated that there would be a bill that would exempt community colleges from I-105. He didn't know if the decisions would have to be made comprehensively or piece-meal. REP. HARRINGTON said if they can't be put together, they will have to be piece-mealed.

Vote: HB 408 DO PASS. Motion carried 13 to 8 on a roll call vote. EXHIBIT 9

EXECUTIVE ACTION ON HB 151

Motion: REP. STANG MOVED HB 151 DO PASS.

Motion: REP. COHEN moved to amend HB 151. EXHIBIT 10

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 2/7/71

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓	X	
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓		
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓	X	
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓	X	
REP. TOM NELSON	✓	X	
REP. MARK O'KEEFE	✓	X	
REP. BOB RANEY	✓	X	
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓	X	
REP. FRED THOMAS	✓	X	
REP. DAVE WANZENRIED	✓	X	